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PHH to pay \$74.5 million to resolve U.S. mortgage probes

By Nate Raymond

(Reuters) - Mortgage company PHH Corp will pay nearly \$74.5 million to resolve claims it generated defective loans for Fannie Mae and Freddie Mac bought, The U.S. Justice Department said on Tuesday.

The deal with Mount Laurel, New Jersey-based PHH follows settlements between the Justice Department and the company in the wake of the 2007-2009 financial crisis.

"This significant resolution helps rectify the misconduct by returning more than \$74 million in wrongfully collected fees to the U.S. attorney in Minnesota, said in a statement.

The deal also involved the company's PHH Home Loans, which operates in Edina, Minnesota.

PHH, in a statement, said it cooperated fully in the investigations that led to the settlement agreements since 2011 to resolve the probes without admitting liability.

"Adhering to high legal, regulatory and ethical standards is at the core of how we conduct business, and we strive to be consistent with that principle," PHH said.

PHH recently won legal victories in its challenge of the constitutionality of the U.S. Consumer Financial Protection Bureau's authority to sue the company over alleged illegal kickbacks.

PHH argued that the bureau's director, Richard Cordray, has more power than the Constitution allows. The case was argued before an 11-judge federal appellate court.

But in Tuesday's case, the Justice Department took PHH to task for failing to comply with certain originating requirements for loans sold to the Federal Housing Administration, the U.S. Veterans Affairs Department, Fannie Mae and Freddie Mac.

The Justice Department said that from 2006 to 2011, PHH certified ineligible home loans for FHA insurance. If the loans were insured, paid insurance claims on those mortgages, the department said.

PHH also submitted ineligible loans to be guaranteed for coverage through a Veterans Affairs Department loan guarantee program. If the loans became homeowners, the Justice Department said.

It also originated and sold ineligible loans to mortgage giants Fannie Mae and Freddie Mac, which the government bought under the Federal Housing Finance Agency, the Justice Department said.

Some of the allegations in Tuesday's case arose from a whistleblower lawsuit filed by Mary Bozzelli, a former PHH employee. The settlements, the Justice Department said.